Bank of Ireland Sectors Team Hotel Sector H1 2025 Insights / H2 2025 Outlook

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Hotel Sector
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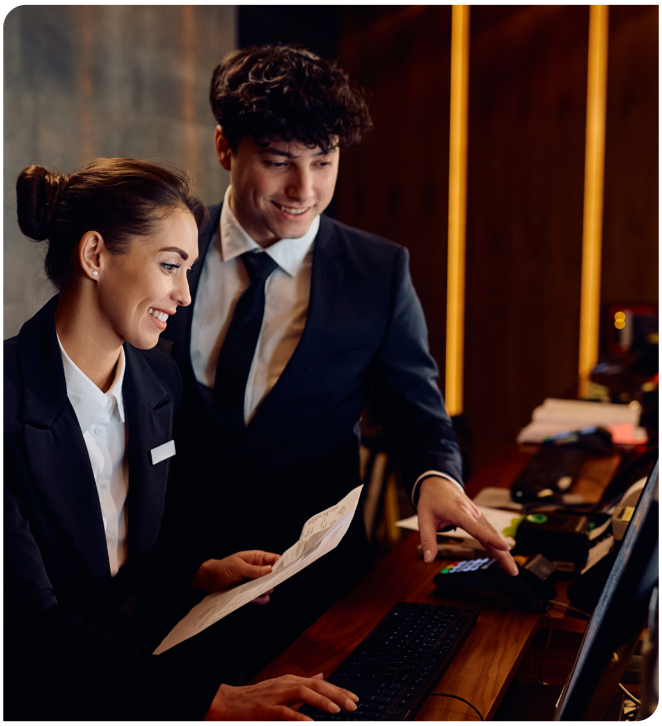
Insights

The trading landscape in the tourism and hospitality sector has delivered mixed results across the various sub sectors for the first half of 2025. Weak demand during the first quarter had a material impact on business sentiment, as evidenced from Fáilte Ireland's June 2025 tourism barometer where 51% of respondents stated trade was down on last year. However, trade picked up in the second quarter and continues to deliver in the third quarter; good weather in July and August has supported a surge in demand, with many operators reporting encouraging demand levels. Occupancy and average room rate statistics to the end of July show robust performance across most locations to date; all key sample areas with the exception of Belfast are trading ahead of last year.[1]

Consumer demand has been slightly less buoyant in food and beverage services, as shown by the Central Statistics Office (CSO) seasonally adjusted Services Index volumes which show a 7.6% decline in the six months to June 2025, price increases have compensated for part of the impact as value dropped a lower 3.8% for the same period.[2] Profit margins remain under pressure across the hotel and food services sectors in Ireland, leading many businesses to review operating models, staffing levels, trading hours and pricing strategies. Representatives from various industry bodies continue to campaign for a downwards review of VAT rates applicable on accommodation and food sales, which stand at 13% in ROI and 20% in Northern Ireland (NI).



Sector Trends

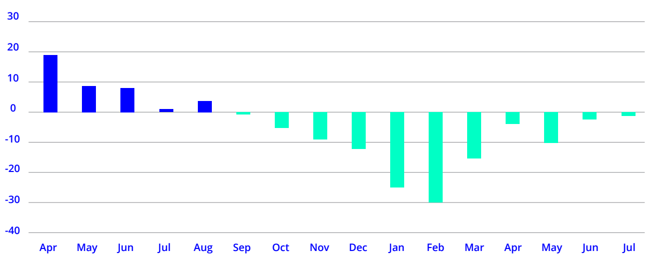
- **Strong hotel average room rates** (outside Dublin) have supported performance so far this year, compensating for a stable/marginally softer occupancy across Ireland. Trend has been the opposite in Dublin where stronger occupancy has compensated for a decline in average room rate. The NI Open delivered a boost to hotels in NI during the month of July with record average room rates delivered by hotels in a number of locations.
- **Strong demand from the North American (US & Canada) market** to date, which according to the CSO's latest stats account for 24% of inbound visitor trips to the end of July, up from 21% last year[3]. European and GB visitor numbers have not experienced the same bounce back reported by the North American market in the aftermath of Covid; trips from EU visitors are reported to be 18% and down on last year to the end of July while GB visitors are 9% down for the same period.
- **Accommodation supply evolving.** According to Fáilte Ireland research published last June, "Planning applications have increased for glamping pods, huts, camping and caravan pitches."[4] Hotels like Galgorm in NI have been using these types of rooms to expand their offering for some time. Also getting more attention are hostel developments which are appealing to investors/developers because of their much lower operating costs[5] and the relative low supply within the Dublin market in particular.
- **Pressure on profits.** Rising costs have outpaced price increases in the food services sector and continue to threaten the viability of smaller businesses in particular. A recent report from the Restaurant Association of Ireland (RAI) states that many restaurants anticipate staff cuts unless the government provides supports.[6]
- **Buyer for Dalata.** The sale of the Dalata Hotel Group to Pandox and Eiendomsspar for €1.4 billion is expected to close in late 2025. Scandic Hotels Group AB will become an operating partner for the existing Dalata portfolio.[7] The closing of this historical deal will eclipse the €340m[8] worth of hotel transactions completed so far this year.

Domestic & Inbound visitor demand

Data from the CSO shows a material decline in the number of inbound visitors to the end of July[3] as well as a softer number of trips from the domestic market to the end of March.[9] Fáilte Ireland's June 2025 Tourism Barometer indicates 56% of respondents have experienced a decline in revenue from overseas visitors this year while only 43% report the same for the domestic market.[10] However, occupancy statistics to date stand at odds with these figures with only a marginal decline reported for locations outside Dublin.[1] Dublin Airport reported 16.96m passengers to the end of June (2.7% up on last year) as well as a record breaking 3.75m passengers for July 2025.[11] In NI, airports reported a combined passenger increase of 3.4% in Q1 2025 compared to the same period in 2024.[12]

- **Domestic Demand (ROI)[9]** A total of 2.8m trips were taken by Irish residents in Ireland in the first 3 months of 2025, compared to 3m in 2024. The impact of the 8% (226K) drop in trips was compensated by increased expenditure of an estimated €40m (7%) during the same period. The average trip length in the 12 months to March 2025 stands at 2.2 nights; a 24% drop from the 2.9 nights averaged for 2014. Conversely, outbound trips by domestic residents surged by 6% with expenditure up €116m (6%) in the 3 months to March 2025.
- **Inbound visitors (ROI)[3]** Overseas visitor numbers into Ireland have been consistently down on last year as per CSO reports. The decline gap has narrowed over the last quarter, but July year-to-date figures show an alarming 430k (11%) shortfall vs same time last year for trips and a €644m (14%) decline in expenditure. The decline is more pronounced for EU visitors which are 18% down, while GB visitors are down 9% while North American trips are flat on last year.

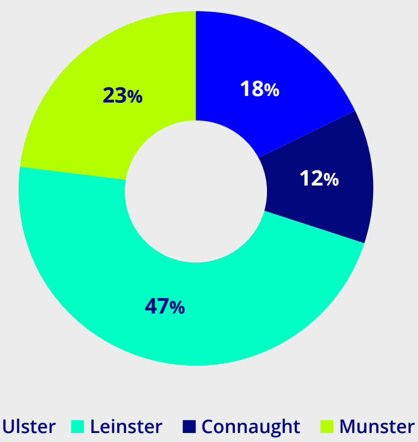
Table 1: CSO Inbound visitors; YOY rolling variance (%) by month



Hotel supply & registrations

The recognised shortfall in accommodation capacity in Ireland[13] is evident during the summer months, with many locations reporting average occupancy in the late 80s and early 90s. As of Q3 2025, there are a total of 66,500[14] registered hotel beds in ROI and a 9,696 in NI.[15] Additional to this supply there are a material number of bedspaces across other registered tourism accommodation as well as a sizeable amount of other Short-Term lettings, which FI estimates at about 151k beds (ROI) as of Q1 2025. Short Term Lets are not currently regulated, and as such can show material variances depending on the season; their numbers could be materially eroded by the introduction of the STL register in the coming year.

Table 2: Hotel bedrooms by province



The steady number of new hotel bedrooms opening in Dublin over the last couple of years has limited rate growth opportunities and has indeed contributed to the decline in average room rates reported by the capital over the last two years. Outside of Dublin, the stable supply has supported a more benign average rate environment, with the exception of Belfast where a combination of factors including a surge in supply are also presenting some challenges to accommodation providers.

A total of 36k bedspaces have been granted planning permission in ROI as of June 2025, however Fáilte Ireland research suggests only 43% of permissions granted turn into completed projects. In Northern Ireland an additional 1.9k[16] new beds are projected by 2027 on top of the 560 to be completed by the end of this year.

The number of tourism accommodation bedrooms under government contract has greatly reduced over the last couple of years; nationally, less than 6% of Fáilte Ireland registered accommodation was under state contracts at the end of May 2025[17]; the number is 12% down on November 2024. Rooms under government contract have also dropped in NI, the NIHF estimates 500 rooms have returned into tourism services so far this year.

Accommodation sales performance

July 2025 was an exceptional month that delivered material Revenue Per Available Room (RevPAR) growth across Ireland. Occupancy showed marginal variances for the month, but this was delivered in tandem with increased room rates; Dublin +€4, Galway +€15, Cork +€16, Limerick +€16, Kilkenny +€19, Belfast +€25, Derry/Londonderry +€52.

Accommodation KPI's Ireland: 2023-2025	July YTD									RevPAR Variance '25 vs '24	
	Occupancy %			Average Room Rate €			RevPAR €				
Location	2023	2024	2025	2023	2024	2025	2023	2024	2025	€	%
Belfast	76	77	74	119	134	134	91	103	99	-4.3	-4.1%
Cork	77	75	74	155	155	161	119	116	120	3.7	3.2%
Derry/Londonderry	69	67	62	104	111	131	72	75	82	6.9	9.2%
Dublin All	82	81	82	181	173	170	148	140	141	0.9	0.6%
Dublin City Centre	80	79	81	206	194	190	164	153	155	1.7	1.1%
Galway	74	73	72	170	173	181	125	127	131	4.6	3.6%
Ireland Provincial	73	72	71	153	157	165	112	112	117	4.7	4.2%
Kilkenny	70	71	71	169	170	180	119	121	128	6.2	5.1%
Limerick	80	80	80	178	180	189	142	144	151	7.7	5.4%

July YTD Performance

Dublin: Strong occupancy statistics to the end of July, +2% up on last year have compensated for a YOY decline of -€4 across Dublin city and -€1.6 for the wider County. Increased supply in the economy segment continues to impact performance.

Galway: Occupancy to date is -0.7% down on last year but compensated by an €8 increase in average room rates.

Cork: Occupancy trend to the end of July is -1% down on las year but the drop has been offset by a €7 increase in average room rate. RevPAR to the end of July is +3% up on last year.

Limerick: A +€9 increase in rate to the end of July combined with a relatively unchanged occupancy has delivered a +5.4% growth in RevPAR.

Kilkenny: Performance to date has been led by a +€10 increase in average room rate only marginally eroded by a -1% contraction in occupancy.

Belfast: The Open supported exceptional average room rate performance during July which supported a shortening of the YTD performance gap against last year. July YTD RevPAR stands at -€4 (4%) down on last year.

Derry/Londonderry: The open boosted performance in Derry/ Londonderry which was catapulted to the top spot in YOY RevPAR growth at 9.2% ahead of last year to the end of July.

Capex

In recent times we have seen an increase in the number of properties completing comprehensive capital investment projects aimed at enhancing the guest experience, upgrading their star rating/repositioning, developing staff accommodation and improving ESG credentials among other things. Inflation, uncertainty and the increase in construction costs are also pushing even smaller projects past the €1m mark. The International Society of Hospitality Consultants (ISHC) released a Capex study last year which indicated that average funds needed to renovate hotels amount to 8% of revenue, up from about 4% used as a norm. Recent projects making the headlines include:

- **The Killarney Park Hotel** completed a comprehensive (€15m[18]) upgrade of its accommodation facilities earlier this year. The extraordinary upgrade should further enhance its position as a leader in the luxury segment in the West of the country.
- The Galgorm Collection announced a £20m investment in **Roe Valley Resort[19]** in Limavady which will see it completely transformed over the next couple of years, the group completed a similar transformation at the Rabbit Hotel in Antrim which it acquired in 2019.

Outlook

The prevailing uncertainty in the global sociopolitical and economic outlook are not optimal for the tourism and hospitality sector which traditionally thrives on stability. As we look ahead to the winter months and the coming year, hotel owners and managers are slightly concerned about inbound visitor trends including the perceived overreliance in the US market, shrinking margins in food services and further increases to minimum wage, insurance and other business expenses. Also in the watchlist are the changes in the US economic that may impact on exchange rates, appetite for travel and potentially dampen employment numbers in Ireland. The last two months have seen a modest increase in the unemployment numbers which are inching closer to 5%,[20] this of course can have a direct impact on discretionary spend for domestic demand. On the flipside business on the books remains healthy for most hotels, large investment projects including new development and refurbishments are taking place in multiple locations across the Island of Ireland, and many stakeholders believe the government will go ahead with a drop in the hospitality VAT in ROI. With autumn just around the corner, businesses should be extra vigilant with costs and expenses and take the necessary steps to protect the bottom line during the winter months which hail the beginning of the cash burn period for many seasonal destinations.

Sources:

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